

CITY OF HAYWARD

and

**INTERNATIONAL FEDERATION OF PROFESSIONAL & TECHNICAL ENGINEERS –
LOCAL 21**

SIDE LETTER OF AGREEMENT

RE: Amends Provisions for Salary Increases, Employee PERS Contributions, Deferred Compensation, and Contributions to Retiree Medical Fund

This Side Letter of Agreement is made between the City of Hayward ("City") and the International Federation of Professional & Technical Engineers, Local 21 ("Local 21") and amends certain provisions of the current Memorandum of Understanding effective October 1, 2007 and extended through September 30, 2013 (hereinafter referred to as the "2007-2013 MOU") between the parties regarding salary increases, employee PERS contributions, deferred compensation and Contributions to Retiree Medical Fund.

The parties have met in good faith on the projected revenue shortfall facing the City of Hayward ("City") for FY 2013. During the parties' discussions, the City identified a savings target of 15% for FY 2013, to be increased to 17% for FY 2014. The parties have reached agreement on the various concessions identified in this Side Letter. These concessions are intended to aid the City in maintaining routine and necessary services. These measures will partially mitigate the City's revenue shortfall for FY 2013. Although the savings reflected in this Side Letter do not achieve the full 15% target identified for FY 2013, the savings reflect a phased-in approach towards reaching the 17% target discussed for FY 2014.

The City and Local 21 agree that the terms of this Side Letter of Agreement shall be effective July 1, 2012 and remain in effect for the remainder of the term of the 2007-2013 MOU and until the parties have completed the meet and confer process for a successor MOU. The terms of this Side Letter shall supersede and replace all other Side Letter and MOU provisions on the specific topics identified below.

1. SALARY

Section 10.02 Employee Savings for FY 2012 (July 1, 2011 through June 30, 2012)

The parties agree that the provision of the June 23, 2010 Side Letter between the City and Local 21, which added Section 10.02 to the 2007-2013 MOU has expired by its terms and is hereby deleted.

Section 10.03 Salary Adjustment

The parties agree to delete the provision of the June 23, 2010 Side Letter between the City and Local 21, which added Section 10.03 to the 2007-2013 MOU in its entirety. There will be no adjustment to salaries.

2. RETIREMENT BENEFIT

Section 9.01 Retirement Program and 9.02 Payment of Employees' PERS Contributions

Effective with the pay period including July 1, 2012, Sections 9.01 and 9.02 of the 2007-2013 MOU shall be deleted in their entirety and replaced with a new Section 9.01 that consists of the following language:

9.01 Retirement Program

The City will continue to contract with the Public Employees' Retirement System (PERS) to provide a retirement program for bargaining unit members. Benefits shall include:

1. 2.5% @ 55 benefit formula
2. Fourth Level of 1959 Survivor's Benefits
3. One (1) Year Final Compensation
4. Military Service Credit as Public Service
5. Continuation of Pre-Retirement Death Benefit after Remarriage of Survivor
6. \$500 Retired Death Benefit
7. 2% Annual Cost-of-Living Allowance Increase

These benefit plans require an employee contribution of eight percent (8%). Employees shall pay the full employee contribution of eight percent (8%), which shall be paid by the employee on a pre-tax basis in accordance with the IRS Section 414(h) (2) method of reporting retirement payments.

An employee, who is not eligible for enrollment in the Public Employees' Retirement System and who, in accordance with the federal Omnibus Budget Reconciliation Act of 1990, is required to be covered by Social Security or an alternate system shall be enrolled in the Public Agency Retirement System (PARS). The City shall contribute 3.75 percent of covered earnings into the employee's PARS account.

3. DEFERRED COMPENSATION

Section 18.08 Social Security Benefit.

The parties agree to delete Section 18.08 in its entirety. The parties further agree to a new Section 9.02 that consists of the following language:

9.02 Deferred Compensation

A Deferred Compensation Plan has been established for the benefit of City employees. Employees may contribute to the Plan as provided by the Plan

terms. Effective with the pay period including July 1, 2012, the City will no longer provide an employer contribution to a deferred compensation plan on behalf of any Local 21 represented employees. Employees may continue to make employee contributions in accordance with the terms of the Deferred Compensation Plan and subject to State and Federal tax law requirements.

4. **VACATION**

Section 12.02 Vacation Leave Allowance

Effective with the pay period including July 1, 2012, Section 12.02 of the 2007-2013 MOU shall be deleted in its entirety and replaced with the following language:

All full-time employees other than temporary and provisional employees shall accrue vacation leave benefits each payroll period based upon the number of hours the employee is entitled.

Full-time vacation accrual rates for employees who are budgeted and work full-time are as follows:

| | Per 80 Hr. | Hourly | |
|-------------------------|----------------|------------------|----------|
| Years of Service | Period | Equivalent | Annual |
| Up to 5 yrs. | 3.08 hrs. | 0.0385 hrs. | 80 hrs. |
| From 5 to 9 yrs. | 4.62 hrs. | 0.0578 hrs. | 120 hrs. |
| From 10 to 19 yrs. | 6.16 hrs. | 0.077 hrs. | 160 hrs. |
| From 20 yrs. | 7.70 hrs. | 0.0963 hrs. | 200 hrs. |

For purposes of crediting service time for vacation accruals, a former employee who is reinstated after an absence of more than one (1) year shall not receive credit for his or her prior service time nor will an employee who was serving in a temporary, provisional or contracted appointment and appointed to a regular appointment be credited with his or her temporary, provisionally or contract service time.

Vacation leave can be accrued but shall not be granted during the first six (6) months of service. When an employee begins the seventh month of continuous, satisfactory service, his or her accrued vacation leave will be available. The increases in vacation leave allowance provided above shall be granted on the basis of full-time, continuous service. An approved leave of absence shall not constitute a break in service for the purpose of this section.

As an exception to the foregoing, the City Manager is authorized to place a new employee at a position in the vacation schedule which recognizes that said employee has left a similar position with another employer where he or she had substantial vacation benefits. The provisions of this section are intended to apply in those instances where recruiting difficulties are encountered or anticipated in the filling of a vacant position.

Vacation leave shall continue to be earned during other authorized leaves with pay. When a holiday falls during an employee's absence on vacation leave, it shall not be deducted from his or her accrued leave.

The maximum vacation accrual cap shall be twice the annual allowance plus forty (40) hours. The vacation accrual cap shall be maintained on a continuous per pay period basis. Exceptions may be permitted on approval of the City Manager or designee. In granting such exceptions the City Manager or designee may specify a time within which such excess vacation leave must be used. It shall be the responsibility of each employee to ensure the full use of vacation leave credits received by scheduling the necessary time off each year.

As an exception to the foregoing, at the end of the pay period including January 1, 2012, the caps on vacation will be temporarily increased to allow employees to accrue twice the annual rate plus eighty (80) hours (instead of forty (40) hours). The City Manager or designee will allow employees who exceed this cap to use the excess vacation leave by the end of the pay period including June 30, 2013. Failure to use the excess leave by the end of the pay period including June 30, 2013, shall cause the employee's accrual of vacation to cease until the existing balance has been reduced to below the cap amount (twice the annual rate plus forty (40) hours) or less. After June 30, 2013, the employee vacation cap will be maintained on a continuous per pay period basis and the accrual rate of twice the annual rate plus forty (40) hours will be reinstated.

Employees hired prior to April 1, 2012, will be allowed a one-time vacation leave payout not to exceed twenty-five (25) hours of accrued vacation leave during the period between July 1, 2012 and June 1, 2013. Employees interested in cashing out will submit a written request to the Payroll Department. Requests will not be accepted after June 1, 2013. The request will be processed within two (2) pay periods of receipt of the request.

Employees hired prior to April 1, 2012, will be allowed a one-time vacation leave payout not to exceed fifteen (15) hours of accrued vacation leave during the period between June 24, 2013 and September 30, 2013. Employees interested in cashing out will submit a written request to the Payroll Department. Requests will not be accepted after September 30, 2013. The request will be processed within two (2) pay periods of receipt of the request.

All payouts will be included in the biweekly payroll and said cash out will be subject to applicable state and federal taxes.

5. Supplemental Retirement Benefit

Effective with the pay period including July 1, 2012, Section 7.10 of the 2007-2013 MOU shall be deleted in its entirety and replaced with the following language:

The City will provide eligible employees who retire from service with a supplemental retirement benefit as provided in this Section. Any supplemental benefit provided under this Section shall be in the form of cash to the retiree on a monthly basis. In order to receive a supplemental benefit under this Section, the employee must begin receiving pension benefits within one-hundred and twenty (120) days of leaving City employment and must be enrolled in a medical plan offered by the City of Hayward. The survivor of a retired employee is qualified to receive a supplemental benefit only if he or she: (a)

has been designated by the employee to receive a survivor benefit under the Public Employees' Retirement System (PERS) plan; (b) is currently receiving said survivor benefit; and (c) is a member of a medical plan offered by the City of Hayward. In the event a retired employee designated more than one survivor who satisfies all three of the above criteria, any supplemental benefit payments made under this Section shall not exceed the monthly benefit that would have otherwise been paid to the retired employee.

A supplemental benefit in the amount of \$226.01 will be provided to any employee who retired from City service on or after October 1, 1989 and on or before December 31, 2007, regardless of the employee's years of continuous City service.


For employees who retire on or after January 1, 2008, a supplemental benefit in the amount of \$274.72 will be provided to any employee who:

- (1) was employed by the City on July 1, 2008 and who had at least five (5) years of continuous service with the City as of that date; or
- (2) has ten (10) years of continuous service with the City as of their retirement date.

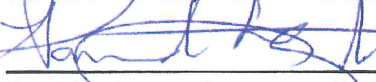
Retirees are solely responsible for any tax consequences associated with the receipt of benefits under this section.

Beginning with the pay period including July 1, 2012, all members of the association shall contribute \$35 per pay period, and until otherwise negotiated, to fund this benefit, which shall be placed in an irrevocable trust to fund such enhanced retiree medical benefits. Employee contributions shall be made through payroll deduction, on a post-tax basis, unless otherwise prohibited by the Internal Revenue Service and/or California State Franchise Tax Board.

For Local 21



Jodi Pascual, President



Ramona Portillo, Vice President


Pam Covington, Representative

May 9, 2012
Date

For the City of Hayward


Fran David, City Manager


Frances Robustelli, HR Director

May 15, 2012
Date